

# **SECTOR SNAPSHOT:** **PROFESSIONAL SERVICES**

**THE PROFESSIONAL SERVICES SECTOR HAS SEEN A NOTICEABLE INCREASE IN M&A, FOR INSTANCE LAW FIRMS, ACCOUNTANCY PRACTICES & CONSULTANCY BUSINESSES INCLUDING AN INCREASED APPETITE FROM PRIVATE EQUITY TO DEPLOY CAPITAL INTO SUB-SECTORS**

**KEY MARKET THEMES  
RECENT M&A ACTIVITY  
VALUE DRIVERS**

**JULY 2024**

**COOPER PARRY**  
CORPORATE FINANCE

**REACH**

# KEY MARKET THEMES

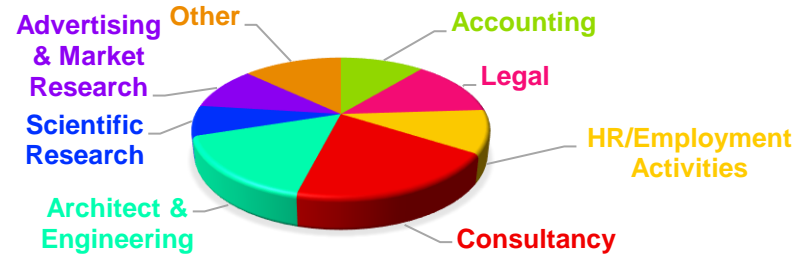
The pandemic was a catalyst for the way professional services firms operate including accelerated investment into technology, improved focus on work life balance methodologies and virtual collaboration.

## OVERALL MARKET

**77%** of professional services firms expecting **growth** in revenues, with **25%** expecting **'strong growth'** in 2024.

(Consultancy.uk)

## PROFESSIONAL SERVICES MARKET



Source: ONS UK

## KEY THEMES

### Evolution of LLPs

Traditionally, many professional service firms have been structured as partnerships, with little external capital and operating a full profit distributing model. In some instances, this can slow down investing in systems for the future to preserve profit share. The agenda has evolved post pandemic as there has been more willingness from leadership teams to consider proposals from strategic acquirers who seek to buy in new geographies and market niches. Extra thought is also needed with these types of transactions to ensure the next generation have adequate incentives to remain in the business beyond ambitions to be an equity partner.

### Hybrid working

The pandemic was a catalyst for changing working practices within many firms including maintaining increased remote working to improve work life balance. This has led to more virtual collaboration platforms to assist with meetings & remote project management.

### A changing workforce

Due to the increase in the number of millennials that now make up the global workforce, there is increased pressure and demand on firms to adapt their working styles, improve technology and adopt new, modern ethical practices.

### Emergence of AI

Artificial Intelligence is an emerging force in many sectors, including professional services. To provide the best service, often professional services firms need to process and analyse a lot of data which is time-consuming and prone to human error. AI is deemed to be the key to reduced costs, increased profits & even staff's job satisfaction.

### Customer experience

Customer-centricity is still a priority for businesses, and professional service providers are adopting technology to improve customer service, including the use of efficient communication channels, and prioritising the more effective sharing of data.

### Cyber Threats

Increased use of technology and data has given rise to a greater risk of cyber-attacks, with professional services firms often holding more confidential data, making them a greater target. In a recent study, more than 80% of firms have experienced at least 1 attack in the past two years.

(Source: Allianz.co.uk)

### Revenue

Partly driven by volatility on the back of Pandemic, professional services firms are seeking to obtain a deeper understanding of their revenue generation & pipeline including greater adoption of CRM systems. Being able to provide revenue predictability can assist with resource planning and aid investment.

# KEY RECENT TRANSACTIONS

PE like the high-margin nature of professional services businesses and the reliable income streams these firms provide, especially if an acquisition is scalable and can grow through seamless bolt-on and integration of similar businesses



Environment consultancy **Ridge** secured a significant investment from **Horizon Capital**.

April 2023



Sale of solicitor firm **Nelsons** to **Lawfront**, backed by **Blixt Private Equity**. (Advised by Cooper Parry Corporate Finance)

May 2023



Sale of **UK Waste Solutions (Novati)** to **Reconomy**, a portfolio company of **EMK Capital LLP**. (Advised by Cooper Parry Corporate Finance)

May 2023



**Zanders & Partners**, the Netherlands based consulting services provider has acquired **Fintegral**, the UK based quantitative risk consultancy company.

July 2023



Insurance broker, **Academy Insurance** sold to **private equity firm Blixt Group**. (Advised by Cooper Parry Corporate Finance)

July 2023



Provider of taxation, audit and corporate advice, **HSKSG Audit**, was bought by large accountancy group **Dains LLP**.

September 2023

March 2023

Consultancy firm **Origin Enterprises** acquired the environmental consultancy **Neo Environmental**.



May 2023

Accountancy firm **Duncan & Toplis** secured investment from **private equity investors Blixt Group**.



July 2023

Chartered surveying practice **RJA Consultants** was acquired by **Gateley**, a legal and professional services firm.



July 2023

UK private equity firm **Inflexion**, acquired global legal services provider **DWF**



September 2023

**Irwin Mitchell**, the law group, has acquired **Wright Johnston & Mackenzie LLP**, the local legal services provider



# KEY RECENT TRANSACTIONS

PE like the high-margin nature of professional services businesses and the reliable income streams these firms provide, especially if an acquisition is scalable and can grow through seamless bolt-on and integration of similar businesses



Private equity house, **Palatine**, acquired a minority stake in **BK plus**, the local Midlands-based accountancy firm.

September 2023



Sale of UK law firm **Cleggs Solicitors** to **Nelsons Law**, part of the **Lawfront Group**.

November 2023



**Crisp & Co**, the UK family law firm, has been acquired by **Stowe Family Law**, the UK's largest family law firm.

December 2023



Environmental consultancy firm, **ITP Energised**, was bought by Global consultancy group **SLR Consulting**.

January 2024



**Serious Injury Law**, the injury law specialist, has been acquired by **Fletchers Solicitors Ltd**, the national legal services provider.

February 2024



**Lawfront** a fast-growing legal services group acquired **slaterheelis** a Manchester based law firm.

April 2024

October 2023

French private equity firm **PAI Partners** acquired UK accountants and advisors **Azets Group Ltd**.



November 2023

**Cooper Parry LLP**, the accounting and advisory firm owned by **Waterland Private Equity**, acquired peer **Haines Watts**.



January 2024

Accountancy firm, **Moore and Smalley LLP** sold to professional services firm **MHA Macintyre Hudson**



February 2024

**NorthEdge** the UK private equity firm acquired **Contollo** a new building consultancy consolidator.



April 2024

**John Charcol mortgages**, the **Palatine Private Equity** portfolio company, has been acquired by **Pivotal Growth**, the UK alternative asset management company.



# CORE M&A VALUE DRIVERS FOR PE

The opportunity for growth through seamless bolt-ons and the integration of similar businesses presented in a fragmented market can provide founders with the opportunity to de-risk whilst having 'skin in the game' for growth.

↓ *multiple*      ↑ *multiple*

	DECLINING	GROWING		
<b>Market dynamics</b>	<b>MARKET OPPORTUNITY</b>		There has been significant investment across the professional services sector, in particular, the accountancy space over the last few years. There is an expectation that PE firms and national consolidators will look to make platform investments in other professional service sub-sectors.	
	<b>ROBUST REVENUE STREAMS</b>	LOW	HIGH	Professional services have proven to be more recession resilient than other sectors which has provided investors with more confidence.
	<b>COMPETITION</b>	HIGH	LOW	Sub-sectors remain fragmented with a significant number of smaller providers operating across the private/ SME space providing ample opportunity for a buy & build investment thesis.
<b>Company specific</b>	<b>REVENUE VISIBILITY</b>	LOW	HIGH	A high level of recurring revenue or predictability of cash flows will drive a higher market multiple especially those that can demonstrate ways to improve WIP lock up.
	<b>SERVICE RANGE</b>	LIMITED	EXTENSIVE	A broad level of resources and disciplines to deliver services to a 'firm client'. Business that operate in niche areas are also attractive to trade players looking to diversify their service offering.
	<b>KPI'S</b>	WEAK	STRONG	Firms with strong KPI's such as revenue per Partner, recovery, utilisation and net promoter scores will be attractive to acquirers.
	<b>STAFF TRAINING AND COMPETENCE</b>	LOW	HIGH	Increased investment in staff and low staff turnover relative to peers are good attributes.
	<b>MANAGEMENT TEAM</b>	WEAK	STRONG	A strong second tier management team that can lead the business will be attractive for a financial investor.
	<b>SYSTEMS</b>	WEAK	STRONG	Front loaded investment in systems that enable the streamlining/ automation of high-volume process work will be favourable to an investor.

# GET IN TOUCH

Drop the team a message if you have any questions



## ANDY PARKER PARTNER

Andy leads Cooper Parry's Corporate Finance business across the Midlands and has over 25 years' M&A experience, the majority at PWC where he was a partner based in the Midlands and then the Northwest

His focus is working with entrepreneurs to realise the value they have created in their businesses and with private equity investors

[andyp@cooperparry.com](mailto:andyp@cooperparry.com)



## SACHIN PARMAR ASSOCIATE DIRECTOR

Sachin has been advising on deals since 2018 and joined the Cooper Parry Corporate Finance team in 2019. Sachin has worked on numerous professional service deals including the sale of Ross Trustees and Nelsons Law.

Sachin is a Chartered Accountant and holds a degree in Business Management from the University of Manchester

[sachinp@cooperparry.com](mailto:sachinp@cooperparry.com)



## ADAM VIRAG ANALYST

Adam joined Cooper Parry Corporate finance team in 2023 as an analyst. Having graduated from King's College London with an Accounting & Finance Degree, Adam is pursuing ICAEW's ACA qualification.

[adam.virag@cooperparry.com](mailto:adam.virag@cooperparry.com)

## OUR RECENT PROFESSIONAL SERVICES DEALS



Sale of Academy  
Insurance to Blixt  
Group



Sale of Nelsons  
Solicitors to Lawfront  
Group



Sale of Novati to  
Reconomy



Investment into  
Ross Trustees Ltd  
by LDC